

Village of Shoreham
Berrien County, Michigan
**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**
Year ended March 31, 2008

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INDEPENDENT AUDITORS' REPORT

Village Council
Village of Shoreham
St. Joseph, Michigan

We have audited the accompanying financial statements of the governmental activities, and each major fund of the Village of Shoreham, Michigan, as of March 31, 2008, and for the year then ended, which collectively comprise the Village's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Village of Shoreham, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Village of Shoreham, Michigan, as of March 31, 2008, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

The budgetary comparison information on pages 15 through 18, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The Village has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

Siegfried Crandall P.C.

June 16, 2008



1958-2008

BASIC FINANCIAL STATEMENTS

Village of Shoreham
STATEMENT OF NET ASSETS
March 31, 2008

	<u>Governmental activities</u>
ASSETS	
Current assets:	
Cash	\$ 46,123
Investments	1,143,862
Receivables, net	<u>18,785</u>
Total current assets	1,208,770
Noncurrent assets:	
Capital assets not being depreciated - land	20,000
Capital assets, being depreciated, net of accumulated depreciation	<u>84,271</u>
Total assets	<u>1,313,041</u>
LIABILITIES	
Accounts payable	<u>1,813</u>
NET ASSETS	
Invested in capital assets	104,271
Restricted - public works	790,745
Unrestricted	<u>416,212</u>
Total net assets	<u>\$ 1,311,228</u>

See notes to financial statements

Village of Shoreham
STATEMENT OF ACTIVITIES
Year ended March 31, 2008

	<u>Expenses</u>	<u>Program revenues Operating grants and contributions</u>	<u>Net (expenses) revenues and changes in net assets</u>
Functions/Programs			
Governmental activities:			
Legislative	\$ 3,300	\$ -	\$ (3,300)
General government	38,105	-	(38,105)
Public safety	12,070	-	(12,070)
Public works	34,822	43,827	9,005
Community and economic development	600	-	(600)
Recreation and culture	12,149	-	(12,149)
Total governmental activities	<u>\$ 101,046</u>	<u>\$ 43,827</u>	<u>(57,219)</u>
General revenues:			
Taxes			49,741
State grants			58,803
Investment income			<u>45,338</u>
Total general revenues			<u>153,882</u>
Change in net assets			96,663
Net assets - beginning			<u>1,214,565</u>
Net assets - ending			<u>\$ 1,311,228</u>

See notes to financial statements

Village of Shoreham
BALANCE SHEET - governmental funds
 March 31, 2008

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Total governmental funds</u>
ASSETS				
Cash	\$ 22,366	\$ 10,405	\$ 13,352	\$ 46,123
Investments	383,614	557,962	202,286	1,143,862
Receivables	<u>11,485</u>	<u>5,000</u>	<u>2,300</u>	<u>18,785</u>
Total assets	<u>\$ 417,465</u>	<u>\$ 573,367</u>	<u>\$ 217,938</u>	<u>\$ 1,208,770</u>
LIABILITIES AND FUND BALANCES				
Liabilities - accounts payable	\$ 1,253	\$ 465	\$ 95	\$ 1,813
Fund balances - unreserved, undesignated	<u>416,212</u>	<u>572,902</u>	<u>217,843</u>	<u>1,206,957</u>
Total liabilities and fund balances	<u>\$ 417,465</u>	<u>\$ 573,367</u>	<u>\$ 217,938</u>	<u>\$ 1,208,770</u>
Total fund balances - governmental funds				1,206,957
Amounts reported for <i>governmental activities</i> in the statement of net assets (page 4) are different because:				
Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the funds.				<u>104,271</u>
Net assets of <i>governmental activities</i>				<u>\$ 1,311,228</u>

See notes to financial statements

Village of Shoreham**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - governmental funds**

Year ended March 31, 2008

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Total governmental funds</u>
REVENUES				
Taxes	\$ 49,741	\$ -	\$ -	\$ 49,741
State grants	58,803	28,910	14,917	102,630
Interest	15,343	21,763	8,232	45,338
Other	1,100	-	-	1,100
Total revenues	<u>124,987</u>	<u>50,673</u>	<u>23,149</u>	<u>198,809</u>
EXPENDITURES				
Legislative	3,300	-	-	3,300
General government	38,105	-	-	38,105
Public safety	12,070	-	-	12,070
Public works	12,487	7,338	16,097	35,922
Community and economic development	600	-	-	600
Recreation and culture	8,013	-	-	8,013
Total expenditures	<u>74,575</u>	<u>7,338</u>	<u>16,097</u>	<u>98,010</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>50,412</u>	<u>43,335</u>	<u>7,052</u>	<u>100,799</u>
OTHER FINANCING SOURCES (USES)				
Transfer in	-	-	7,200	7,200
Transfer out	-	(7,200)	-	(7,200)
Total other financing sources (uses)	<u>-</u>	<u>(7,200)</u>	<u>7,200</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>50,412</u>	<u>36,135</u>	<u>14,252</u>	<u>100,799</u>
FUND BALANCES - BEGINNING	<u>365,800</u>	<u>536,767</u>	<u>203,591</u>	<u>1,106,158</u>
FUND BALANCES - ENDING	<u>\$ 416,212</u>	<u>\$ 572,902</u>	<u>\$ 217,843</u>	<u>\$ 1,206,957</u>

See notes to financial statements

Village of Shoreham

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - *governmental funds* (Continued)**

Year ended March 31, 2008

Net change in fund balances - total governmental funds	\$ 100,799
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Amounts reported for *governmental activities* in the statement
of activities (page 5) are different because:

Capital assets - provision for depreciation	<u>(4,136)</u>
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Change in net assets of <i>governmental activities</i>	<u>\$ 96,663</u>
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See notes to financial statements

Village of Shoreham
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Village of Shoreham, Michigan (the Village), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

a) Reporting entity:

The accompanying financial statements present only the Village. There are no component units, entities for which the Village is considered to be financially accountable.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Village. The effect of inter-fund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The major individual governmental funds are reported as a separate column in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village generally considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the government.

Village of Shoreham
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) *Measurement focus, basis of accounting, and financial statement presentation* (continued):

The Village reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the Village, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Major Street Fund accounts for the use of motor fuel taxes, which are earmarked by state statute for major street repairs and improvements.

The Local Street Fund accounts for the use of motor fuel taxes, which are earmarked by the state for local street repairs and improvements.

Amounts reported as program revenues include operating grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

d) *Assets, liabilities, and net assets or equity:*

i) *Bank deposits* - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Pooled interest income is proportionately allocated to all funds.

ii) *Receivables* - In general, outstanding balances between funds are reported as "due to/from other funds." No allowance for uncollectible accounts has been recorded as the Village considers all receivables to be fully collectible.

iii) *Capital assets* - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets, other than infrastructure, are defined by the Village as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Village has elected to account for infrastructure assets prospectively, beginning April 1, 2004.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	15 - 60 years
Equipment	3 - 5 years
Vehicles	3 - 5 years
Roads	30 years

Village of Shoreham
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Assets, liabilities, and net assets or equity (continued):

iv) *Fund equity* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

v) *Property tax revenue recognition* - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Village. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Village levy date is December 1, and, accordingly, the total levy is recognized as revenue in the current year.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year. The Village had no budget variations requiring disclosure.

NOTE 3 - CASH AND INVESTMENTS:

The Village's total cash and investments are reported as follows:

	<u>Governmental activities</u>
Cash	\$ 46,123
Investments	<u>1,143,862</u>
	<u>\$ 1,189,985</u>

Deposits with financial institutions:

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) and the Village's investment policy authorize the Village to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The Village's deposits are in accordance with statutory authority.

Custodial credit risk of deposits is the risk that, in the event of the failure of a depository financial institution, the Village will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are uncollateralized. As of March 31, 2008, \$8,378 of the Village's bank balances of \$37,834 was exposed to custodial credit risk because it was uninsured.

Village of Shoreham
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CASH AND INVESTMENTS (Continued):

The Village believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Village evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

Investments:

State statutes and the Village's investment policy authorize the Village to invest in a) obligations of the U.S. Treasury, agencies, and instrumentalities; b) commercial paper rated within the two highest rate classifications, which mature not more than 270 days after the date of purchase; c) repurchase agreements, collateralized by U.S. governmental securities; d) bankers' acceptances; and e) mutual funds composed of otherwise legal investments. The Village's investments are in accordance with statutory authority. The Village's investments are carried fair market value. The Village's investments are subject to several types of risk, which are discussed below: The Villages' holdings consist of the following:

<u>Investment type</u>	<u>Carrying amount</u>	<u>Weighted average maturity (in years)</u>	<u>Rating</u>	<u>Rating Organization</u>
U.S. government and agency securities:				
U.S. Treasury Bills	\$ 1,143,862	.26	-	-

Custodial credit risk. Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, the Village will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. State statutes and the Village's investment policy do not contain requirements that would limit the exposure to custodial credit risk for investments. At year end, the investment securities were uninsured and unregistered and held by the same broker-dealer (counterparty) that purchased the securities for the Village.

Interest rate risk. Interest rate risk is the risk that the value of an investment will decrease as a result of an increase in market interest rates. Generally, longer investment maturities generate more sensitivity to changes in an investment's fair value due to changes in market interest rates. The Village monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The Village's investment policy has no specific limitations with respect to maturities of investments.

Credit risk. Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. Obligations of the U.S. Government are not considered to have credit risk.

Concentration of credit risk. State statutes and the Village's investment policy place no limitations on the amount that can be invested in any one issuer.

Village of Shoreham
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - RECEIVABLES:

Receivables as of year end for the Village's individual governmental funds, in the aggregate, are as follows:

<u>Fund</u>	<u>Property Taxes</u>	<u>Inter- governmental</u>	<u>Totals</u>
General	\$ 2,245	\$ 9,240	\$ 11,485
Major Street	-	5,000	5,000
Local Street	-	2,300	2,300
Totals	<u>\$ 2,245</u>	<u>\$ 16,540</u>	<u>\$ 18,785</u>

All receivables are considered fully collectible, and are due within one year.

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended March 31, 2008, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated - land	<u>\$ 20,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,000</u>
Capital assets being depreciated:				
Buildings	43,124	-	-	43,124
Equipment	<u>128,452</u>	<u>-</u>	<u>-</u>	<u>128,452</u>
Subtotal	<u>171,576</u>	<u>-</u>	<u>-</u>	<u>171,576</u>
Less accumulated depreciation for:				
Buildings	(13,134)	(798)	-	(13,932)
Equipment	<u>(70,035)</u>	<u>(3,338)</u>	<u>-</u>	<u>(73,373)</u>
Subtotal	<u>(83,169)</u>	<u>(4,136)</u>	<u>-</u>	<u>(87,305)</u>
Total capital assets being depreciated, net	<u>88,407</u>	<u>(4,136)</u>	<u>-</u>	<u>84,271</u>
Governmental activities capital assets, net	<u>\$ 108,407</u>	<u>\$ (4,136)</u>	<u>\$ -</u>	<u>\$ 104,271</u>

Depreciation expense was charged to functions of the Village as follows:

Governmental activities:	
Recreation and culture	<u>\$ 4,136</u>

NOTE 6 - JOINT VENTURE:

Village of Shoreham and St. Joseph Township Fire Authority:

The Village is a member of the Village of Shoreham and St. Joseph Township Fire Authority, which is a joint venture of the Village of Shoreham and the Township of St. Joseph. The administrative board of the Authority consists of members appointed by each participating unit and a member at-large. The Authority was formed to jointly provide fire protection services within the combined service area, which encompasses the participating municipalities. The Village has no equity interest in the Authority; therefore, financial information of the Authority has not been included in the Village's general purpose financial statements.

Costs of operations and capital asset acquisitions of the Authority are supported by contributions from the Village, which contributes a proportionate share of the proposed budget, based on the assessed property values within the Village. During the year ended March 31, 2008, the Village contributed \$10,769 as its proportionate share of the Authority's budgeted costs. Complete audited financial statements for the Authority can be obtained from the Treasurer of the Township of St. Joseph.

NOTE 7 - RELATED PARTY TRANSACTIONS:

The Village has a maintenance contract for the Village park and hall from Vernon Shoff, the husband of the Village's Treasurer. The amount paid for the year ended March 31, 2008, was \$5,100.

NOTE 8 - RISK MANAGEMENT:

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village has joined together with other local governmental units in the state to form the Michigan Municipal League Insurance Pool (MML), a public entity risk pool currently operating as a common risk management and insurance program for local governmental units within the state. The Village pays an annual premium to MML for all of its separate types of insurance coverage. MML is self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$5,000,000 for each insured event.

REQUIRED SUPPLEMENTARY INFORMATION

Village of Shoreham**BUDGETARY COMPARISON SCHEDULE - General Fund**

Year ended March 31, 2008

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Property taxes	45,950	45,950	49,741	3,791
State grants	60,000	60,000	58,803	(1,197)
Interest	15,000	15,000	15,343	343
Other	<u>1,600</u>	<u>1,600</u>	<u>1,100</u>	<u>(500)</u>
Total revenues	<u>122,550</u>	<u>122,550</u>	<u>124,987</u>	<u>2,437</u>
EXPENDITURES				
Legislative	<u>4,600</u>	<u>4,600</u>	<u>3,300</u>	<u>1,300</u>
General government:				
President	1,200	1,200	1,200	-
Election	800	1,025	1,004	21
Assessor	300	300	175	125
Clerk	3,225	3,225	3,225	-
Treasurer	4,400	4,400	4,193	207
Hall and grounds	9,300	9,325	5,829	3,496
Other	<u>40,500</u>	<u>40,500</u>	<u>22,479</u>	<u>18,021</u>
Total general government	<u>59,725</u>	<u>59,975</u>	<u>38,105</u>	<u>21,870</u>
Public safety:				
Police	1,300	1,300	1,300	-
Fire	<u>13,500</u>	<u>13,500</u>	<u>10,770</u>	<u>2,730</u>
Total public safety	<u>14,800</u>	<u>14,800</u>	<u>12,070</u>	<u>2,730</u>
Public works:				
Sanitation	2,000	2,000	847	1,153
Street lighting	<u>17,000</u>	<u>17,000</u>	<u>11,640</u>	<u>5,360</u>
Total public works	<u>19,000</u>	<u>19,000</u>	<u>12,487</u>	<u>6,513</u>
Community and economic development - planning and zoning	<u>2,400</u>	<u>2,150</u>	<u>600</u>	<u>1,550</u>

Village of Shoreham**BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**

Year ended March 31, 2008

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued)				
Recreation and culture - parks and recreation	\$ 10,200	\$ 10,200	\$ 8,013	\$ 2,187
Total expenditures	<u>110,725</u>	<u>110,725</u>	<u>74,575</u>	<u>34,997</u>
NET CHANGE IN FUND BALANCES	11,825	11,825	50,412	38,587
FUND BALANCES - BEGINNING	<u>365,800</u>	<u>365,800</u>	<u>365,800</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 377,625</u>	<u>\$ 377,625</u>	<u>\$ 416,212</u>	<u>\$ 38,587</u>

Village of Shoreham**BUDGETARY COMPARISON SCHEDULE - Major Street Fund**

Year ended March 31, 2008

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
State grant	\$ 30,000	\$ 30,000	\$ 28,910	\$ (1,090)
Interest	<u>22,000</u>	<u>22,000</u>	<u>21,763</u>	<u>(237)</u>
Total revenues	<u>52,000</u>	<u>52,000</u>	<u>50,673</u>	<u>(1,327)</u>
EXPENDITURES				
Public works:				
Administration	1,300	1,300	901	399
Routine maintenance	18,800	18,800	3,310	15,490
Winter maintenance	<u>4,000</u>	<u>4,000</u>	<u>3,127</u>	<u>873</u>
Total expenditures	<u>24,100</u>	<u>24,100</u>	<u>7,338</u>	<u>16,762</u>
EXCESS OF REVENUES OVER EXPENDITURES	27,900	27,900	43,335	15,435
OTHER FINANCING USES				
Transfer out - Local Street Fund	<u>(7,500)</u>	<u>(7,500)</u>	<u>(7,200)</u>	<u>300</u>
NET CHANGE IN FUND BALANCES	20,400	20,400	36,135	15,735
FUND BALANCES - BEGINNING	<u>536,767</u>	<u>536,767</u>	<u>536,767</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 557,167</u>	<u>\$ 557,167</u>	<u>\$ 572,902</u>	<u>\$ 15,735</u>

Village of Shoreham**BUDGETARY COMPARISON SCHEDULE - Local Street Fund**

Year ended March 31, 2008

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
State grant	\$ 15,000	\$ 15,000	\$ 14,917	\$ (83)
Interest	8,500	8,500	8,232	(268)
Other	<u>200</u>	<u>200</u>	<u>-</u>	<u>(200)</u>
Total revenues	<u>23,700</u>	<u>23,700</u>	<u>23,149</u>	<u>(551)</u>
EXPENDITURES				
Public works:				
Administration	800	800	400	400
Routine maintenance	11,850	8,850	2,605	6,245
Winter maintenance	<u>10,000</u>	<u>13,000</u>	<u>13,092</u>	<u>(92)</u>
Total expenditures	<u>22,650</u>	<u>22,650</u>	<u>16,097</u>	<u>6,553</u>
EXCESS OF REVENUES OVER EXPENDITURES	1,050	1,050	7,052	6,002
OTHER FINANCING SOURCES				
Transfer in - Major Street Fund	<u>7,500</u>	<u>7,500</u>	<u>7,200</u>	<u>(300)</u>
NET CHANGE IN FUND BALANCES	8,550	8,550	14,252	5,702
FUND BALANCES - BEGINNING	<u>203,591</u>	<u>203,591</u>	<u>203,591</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 212,141</u>	<u>\$ 212,141</u>	<u>\$ 217,843</u>	<u>\$ 5,702</u>

June 16, 2008

**Members of the Village Council
Village of Shoreham**

We have audited the financial statements of the governmental activities and each major fund of the Village of Shoreham for the year ended March 31, 2008, and have issued our report thereon dated June 16, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated March 3, 2008, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Village of Shoreham are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year 2008. We noted no transactions entered into by Village of Shoreham during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was capital asset depreciation.



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Management's estimate of the capital asset depreciation is based on the estimated useful lives of the Village's capital assets. We evaluated the key factors and assumptions used to develop the capital asset depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Management has recorded all of our proposed audit adjustments.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter associated with the audits for the year ended March 31, 2008.

Other Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Village of Shoreham's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Communication Regarding Internal Control

In planning and performing our audit of the financial statements of the Village of Shoreham as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Village of

Shoreham's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control.

Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

The Village has not implemented a system of controls to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to achieve the objectives of recording revenue and expense accruals, the capitalization and depreciation of capital assets, and the presentation of financial statement disclosures. This is a recurring comment. The Village has determined that the additional benefits derived from implementing such a system would not outweigh the costs incurred to do so.

This communication is intended solely for the information and use of the members of the Village Council of the Village of Shoreham and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Sigfried Crandall P.C.